

Message Text

CONFIDENTIAL

PAGE 01 KINGST 03730 141826Z
ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 AID-05 CIAE-00 COME-00
FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02
OPIC-03 SP-02 LAB-04 EPG-02 SIL-01 OMB-01 NSC-05
IO-13 /072 W

-----055356 141830Z /40

P 141630Z JUL 77
FM AMEMBASSY KINGSTON
TO SECSTATE WASHDC PRIORITY 6232

C O N F I D E N T I A L KINGSTON 3730

E. O. 11652: GDS
TAGS: EFIN JM
SUBJ: JAMAICAN AGREEMENT WITH THE IMF

REF: KINGSTON 3729

1. ECONOFF HELD SEPARATE MEETINGS WITH JAMAICA IMF REP
WILLIAMS AND MINISTER OF STATE FOR PLANNING FLETCHER IN
ATTEMPT TO PIECE TOGETHER OUTLINES OF GOJ/IMF AGREEMENT.

2. ON BASIS OF THESE CONVERSATIONS, FOLLOWING EMERGE AS
BASIC ELEMENTS OF AGREEMENT.

A. A STANDBY FACILITY WILL BE ESTABLISHED IN THE AMOUNT
OF 74 MILLION U.S. OF WHICH 44.4 MILLION COULD BE DRAWN THIS
FINANCIAL YEAR AS FOLLOWS:

1. IN LATE AUGUST, 22.4 MILLION: (IT WILL TAKE THIS LONG
BEFORE FINAL IMF BOARD APPROVAL OF THE JAMAICAN LOAN.
ACCORDING TO WILLIAMS, THE INTERIM APPROVAL HAS ALREADY
BEEN CABLED. WE UNDERSTAND FROM LOCAL BANK SOURCE THAT
GOJ HAS ALREADY REQUESTED BRIDGING FINANCE TO COVER INTERIM
PERIOD. NO PROBLEMS ARE ANTICIPATED.)

2. IN DECEMBER 1977, 11.1 MILLION U.S.
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 KINGST 03730 141826Z

3. IN MARCH 1978, 11.1 MILLION U.S.

B. THERE WILL BE LIMITATIONS WHICH WILL FORM THE
BASIS OF PERIODIC PERFORMANCE TESTS, THE FIRST TO BE IN
SEPTEMBER. THE LIMITATIONS ARE:

1. THERE IS A LIMIT ON BANKING CREDIT TO THE PUBLIC
SECTOR.

2. THERE IS A LIMIT ON TOTAL BANK OF JAMAICA CREDIT.
3. THERE IS A LIMIT ON FOREIGN BORROWING OF 75 MILLION FOR 12 YEAR TERM LOANS; AND 150 MILLION ON 5-15 YEAR TERM LOANS. THERE IS NO LIMIT ON LOANS WITH A TERM GREATER THAN 15 YEARS. LOANS WITH A TERM OF UNDER ONE YEAR ARE LIMITED UNDER 4 BELOW.

4. THE GOVERNMENT OF JAMAICA WILL INSURE THAT THERE IS A STEADY IMPROVEMENT IN THE NET FOREIGN RESERVE BALANCE. SPECIFICALLY, NET RESERVES MUST HAVE IMPROVED BY 30 MILLION DOLLARS BY MARCH 1978 (SINCE BORROWINGS OF LESS THAN ONE YEAR MUST BE ACCOUNTED FOR IN THE NET RESERVE FIGURE, THIS RESTRICTION PUT A STRINGENT LIMITATION ON SHORT-TERM BORROWING.).

5. THE GOVERNMENT OF JAMAICA WILL REDUCE ITS ARREARS IN PAYMENTS AND NOT ALLOW THE QUE FOR PAYMENT TO EXCEED 50 MILLION DOLLARS AT ANY ONE TIME. (ACCORDING TO FLETCHER, THE PRESENT QUE, I.E., DEBT PAYABLE AND AWAITING PAYMENT, IS PRESENTLY ABOUT 50 MILLION. WILLIAMS IMPLIED THE AMOUNT MAY BE GREATER.)

6. BY APRIL 1978, THE GOJ MUST PRODUCE ACCEPTABLE SCHEDULE FOR THE REPAYMENT OF PRIVATE DEBT. (PRESENTLY, THE GOJ IS AUTHORIZING PAYMENT ONLY OF INTEREST ON PRIVATE DEBT.)

7. IF THE GOVERNMENT OF JAMAICA IS UNABLE TO MEET THE PERFORMANCE CRITERION SPECIFIED IN 4 ABOVE, ACCORDING TO FLETCHER, THE GOJ MUST "BEGIN CRAWLING THE PEG" IN A STAGED DEVALUATION.
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 KINGST 03730 141826Z

3. WILLIAMS EXPRESSED CONSIDERABLE PESSIMISM OVER ABILITY OF THE GOJ TO MEET THE PERFORMANCE CRITERIA, PARTICULARLY IN LIGHT OF FACT THAT GOJ HAS ALREADY COMMITTED ITSELF TO IMPORTS OF 750 MILLION (J). (BAUXITE INDUSTRY 160 MILLION PLUS IMPORT LICENSES OF 590 MILLION.) WILLIAMS SAID GOJ CAN NOT IMPORT MORE THAN 790 MILLION IN CY 1977 AND STILL SHOW AN IMPROVEMENT IN NET FOREIGN EXCHANGE RESERVES UNLESS YET ANOTHER NEW SOURCE OF FUNDS CAN BE FOUND. WILLIAMS COMMENTED, SOMEWHAT RUEFULLY, THAT AGREEMENT MAY NOT HAVE BEEN EVERYTHING IMF HAD HOPED FOR IN PART BECAUSE OF "HEAVY PRESSURE" PUT ON BY U.S.

4. FLETCHER EXPRESSED VIEW THAT AGREEMENT WAS FAIR AND SERVES TO "LOOSEN THE NOOSE AROUND JAMAICA'S NECK." HE EXPRESSED APPRECIATION FOR INFLUENCE U.S. BROUGHT TO BEAR ON IMF AND SAID HE WAS OPTIMISTIC OVER PROSPECTS FOR MEETING PERFORMANCE CRITERIA.
IRVING

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC ASSISTANCE, LOAN AGREEMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 14-Jul-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977KINGST03730
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770251-0240
Format: TEL
From: KINGSTON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770758/aaaabyfp.tel
Line Count: 114
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 7f24d76b-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 77 KINGSTON 3729
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 30-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1864202
Secure: OPEN
Status: NATIVE
Subject: JAMAICAN AGREEMENT WITH THE IMF
TAGS: EFIN, JM, IMF
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/7f24d76b-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009